UNITED
NATIONS

DP

Executive Board of
the United Nations
Development Programme
and of the United Nations
Population Fund

Distr.
GENERAL

DP/1995/7/Add.1
22 November 1994

ORIGINAL: ENGLISH

First regular session 1995
10-13 January 1995, New York
Item 4 of the provisional agenda

OFFICE FOR PROJECT SERVICES

Report of the Administrator and of the Executive Director

Addendum

PROPOSED ANNEX TO THE FINANCIAL REGULATIONS AND RULES OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

94-46566 (E) 181294 211294

/...

PROPOSED ANNEX TO THE FINANCIAL REGULATIONS AND RULES
OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

UNOPS FINANCIAL REGULATIONS

A. Applicability

Article I. APPLICABILITY

Regulation 1.1: These Regulations are made in accordance with General Assembly decision A/48/501 and ... and Executive Board decisions 95/-, 94/32 and 94/12, and shall govern the financial management of the United Nations Office for Project Services (UNOPS) unless otherwise provided by the General Assembly or the Executive Board. These Regulations shall be interpreted and applied together with the United Nations Development Programme Financial Regulations, having regard to the nature and scope of UNOPS activities.

Regulation 1.2: Amendments and exceptions to these Regulations may be made only by the Executive Board.

Regulation 1.3: These Regulations shall become effective on _____.

Regulation 1.4: In regard to any matter not specifically covered by these Regulations, the appropriate provisions of the United Nations Development Programme Financial Regulations shall, mutatis mutandis, apply.

B. Definitions

Article II. DEFINITIONS

Regulation 2.1: For the purpose of the Financial Regulations of UNOPS, the following definitions of the main entities involved in the activities of UNOPS shall apply:

(a) "UNOPS" shall mean the United Nations Office for Project Services, as established pursuant to General Assembly decision A/48/501 and ... and Executive Board decisions 95/-, 94/32 and 94/12;

(b) "Management Coordination Committee" shall mean the Committee established by the Secretary-General pursuant to Executive Board decision 94/32;

(c) "Executive Director" shall mean the Executive Director of UNOPS;

(d) "Funding Source" shall mean any entity, which may be an organization of the United Nations system, or, acting through an organization of the United Nations system, an International Financial Institution, a recipient Government, a donor Government, or a non-governmental organization, which provides financial resources for development assistance, for which UNOPS provides services.

Regulation 2.2: For the purposes of the Financial Regulations of UNOPS, the following definitions in respect of specific terms used shall apply:

(a) "biennial budget" shall mean the budget to cover operational costs of UNOPS;

(b) "disbursement" shall mean the actual amount paid;

(c) "expenditure" shall mean total charges incurred whether paid or unpaid, i.e., the sum of disbursements and unliquidated obligations for the current year in respect of projects and for the biennium in respect of the biennial budget;

(d) "fee" shall mean the sum payable to UNOPS for services rendered in the context of agreements or other instruments covering management and other support services. It shall include all costs associated with the development, negotiation, conclusion and implementation of such agreements;

(e) "funds received" shall mean:

(i) for projects financed from UNDP funds, the signed project document or advance authorization;

(ii) for projects financed from non-UNDP funds administered by UNDP, cash received or a recognized blanket withdrawal authorization or letter of credit from a funding source; or

(iii) for projects financed from other funds, cash received or other arrangements that may be agreed;

(f) "obligation" shall mean an engagement involving a liability against the resources of the current year and future years in respect of project activities and the current biennium in respect of the biennial budget;

(g) "operational costs" shall mean the costs against the UNOPS account of UNOPS activities for the provision of management, technical, administrative, financial and logistical support;

(h) "project" shall mean any separately identified development undertaking of one or more Governments and assisted by a Funding Source;

(i) "project document" shall mean the formal document, covering the agreed written arrangements for the undertaking of the project, including, inter alia, the project activities, the project budget and UNOPS income. This term, where appropriate, shall also include agreements or other instruments covering management or other support services;

(j) "resources entrusted to the charge of UNOPS" shall mean all resources for which UNOPS is responsible by virtue of its acceptance to provide services;

(k) "services" shall include comprehensive project management, the implementation of components of programmes and projects under execution by other organizations of the United Nations system or by national institutions, the provision of management and other support services for multilateral, bilateral

and recipient government-financed projects, and the loan administration and project supervision on behalf of international financial institutions;

(l) "support costs" shall mean the expenses incurred by UNOPS as a result of its implementation of projects funded either by UNDP or other United Nations organizations that apply a common reimbursement regime for such implementation services;

(m) "UNOPS account" shall mean the account established for the purposes of accounting for all income to UNOPS and all expenditures made by UNOPS against that income;

(n) "UNOPS activities" shall mean undertakings by UNOPS, either in the form of services funded by projects or in the form of transactions funded from the UNOPS account;

(o) "UNOPS income" shall mean the earnings of UNOPS for its services, and shall include:

(i) support costs earned;

(ii) fees earned under management or other support services agreements; and

(iii) interest earned thereon.

C. ACCOUNTABILITY

Article III. ACCOUNTABILITY

Regulation 3.1: The Executive Director is accountable for UNOPS activities to the Executive Board and to the Secretary-General, and shall report to the Executive Board through the Management Coordination Committee, which shall provide operational guidance and exercise management direction.

D. FINANCIAL PERIODS

Article IV. FINANCIAL PERIODS

Period for the biennial budget

Regulation 4.1: The financial period for the purpose of both proposed utilization of resources and the incurring of and accounting for expenditures in respect of the biennial budget shall consist of two consecutive calendar years (hereinafter referred to as biennium), the first of which shall be an even year.

Period for project budgets

Regulation 4.2: To provide for continuity in the programming and implementation of United Nations assistance to projects, the financial period for the purpose of the proposed utilization of resources entrusted to the charge of UNOPS and of

entering into obligations in such respect shall be the duration of each project as defined in the project document.

Regulation 4.3: The financial period for the purpose of incurring and accounting for expenditures in respect of projects shall consist of a single calendar year.

Article V. UNOPS ACTIVITIES

Regulation 5.1: Policies set by the Executive Board shall determine the nature and scope of UNOPS activities.

Regulation 5.2: As a self-financing entity, UNOPS shall rely exclusively on income earned in order to meet its operational costs. All UNOPS income shall remain in the UNOPS account, in accordance with these Regulations, to cover the UNOPS biennial budget, any reserve, and working capital.

Regulation 5.3: UNOPS may enter into such written arrangements as are necessary to undertake UNOPS activities.

Regulation 5.4: UNOPS services shall be provided within the framework of a project document.

Regulation 5.5: UNOPS shall ensure that all expenditures for foreseen project activities do not exceed funds received.

Article VI. BIENNIAL BUDGET

Proposed biennial budget

Regulation 6.1: The proposed biennial budget shall cover operational costs. It shall be prepared by the Executive Director and shall be related to the plan submitted for the current planning period or, should the biennium span more than one planning period, the current and the following period.

Regulation 6.2: The biennial budget shall cover proposed expenditures and anticipated income related to the biennium and shall be presented in United States dollars.

Regulation 6.3: In the second year of a biennium, the proposed UNOPS biennial budget for the following biennium shall be submitted to the Executive Board through the Management Coordination Committee. This proposed biennial budget shall be transmitted to all Members of the Executive Board at least six weeks prior to the opening of that session of the Board.

Regulation 6.4: The proposed biennial budget shall also be transmitted to the Advisory Committee for examination at the same time as it is transmitted to Members of the Executive Board under Regulation 6.3 above.

Regulation 6.5: The Advisory Committee is requested to prepare a report to the Executive Board on the proposed biennial budget. This report shall be transmitted to all Members of the Executive Board as soon as it is available.

Regulation 6.6: The Executive Board shall, in the second year of a biennium, adopt the biennial budget for the following biennium.

Supplementary biennial budget proposals

Regulation 6.7: Supplementary proposals to amend the biennial budget may be submitted whenever necessary.

Regulation 6.8: The Executive Director shall prepare supplementary proposals to amend the biennial budget in a form consistent with the approved biennial budget. Such supplementary proposals shall be submitted to the Executive Board through the Management Coordination Committee. They shall also be submitted to the Advisory Committee, which is requested to review them and report thereon to the Executive Board.

Article VII. APPROPRIATIONS FOR THE BIENNIAL BUDGET

Regulation 7.1: Appropriations for the biennial budget approved by the Executive Board shall, subject to the availability of UNOPS income, constitute an authorization to the Executive Director to incur obligations and to make payments for the purposes for which the appropriations were approved and up to the amounts so approved.

Regulation 7.2: Appropriations for the biennial budget shall be available for obligation during the biennium to which they relate.

Regulation 7.3: Appropriations shall remain available for 12 months following the end of the biennium to which they relate to the extent that they are required to discharge any outstanding legal obligation of the biennium.

Regulation 7.4: At the end of the 12-month period provided in Regulation 7.3 above, the then remaining balance of any appropriations retained will revert to the UNOPS account. Any unliquidated obligations of the biennium in question shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

Regulation 7.5: Within the limits established by the Executive Board, the Executive Director shall have the authority to incur unforeseen personnel and related administrative expenditures against unspent and/or projected income, subject to ex post facto approval of such actions by the Executive Board.

E. ADMINISTRATION OF RESOURCES

Article VIII. THE UNOPS ACCOUNT AND OTHER ACCOUNTS

Regulation 8.1: There shall be established a UNOPS account, as required by UNOPS activities, to which all of the income to UNOPS derived from its services shall be credited and against which all operational costs of UNOPS shall be charged.

Regulation 8.2: There shall be established separate special accounts, as required by UNOPS activities, for identification, administration and management of resources entrusted to the charge of UNOPS by a Funding Source. The administration of such funds shall be carried out in accordance with these Regulations, and the terms of the written arrangements concluded for this purpose.

Regulation 8.3:

(a) Within the UNOPS account, an operational reserve shall be established at a level set by the Executive Board. The elements to be compensated for and covered by it shall be limited to:

(i) shortfalls in income;

(ii) uneven cash flows;

(iii) professional or contractual liabilities associated with UNOPS services; and

(iv) liabilities associated with UNOPS personnel contracts financed from the UNOPS account.

The decision to make a drawdown from the operational reserve shall rest solely with the Executive Director, who will report through the Management Coordination Committee all drawdowns to the Executive Board at its next regular session and between sessions, to Members of the Executive Board as may be prescribed by the Board or whenever the situation in the Executive Director's opinion so merits.

(b) Other reserves shall be established as approved by the Executive Board.

Regulation 8.4: Separate accounts shall be maintained for all reserves within the UNOPS account.

Regulation 8.5: Working capital shall be provided from the cash resources in the UNOPS account that are not part of a UNOPS reserve. Such working capital shall be utilized by UNOPS in accordance with the provisions of Articles VI and VII of these Regulations.

Article IX. MANAGEMENT OF FUNDS

Regulation 9.1: The Secretary-General shall act as custodian of UNOPS income and resources entrusted to the charge of UNOPS and shall designate the bank or banks in which such income and resources shall be kept.

Regulation 9.2: The Secretary-General may delegate to the Administrator of UNDP such authority with respect to custody of funds as would facilitate the efficient and effective management of UNOPS income as well as resources entrusted to the charge of UNOPS, and such delegated authority may be accepted by the Administrator of UNDP in writing.

Article X. INTERNAL CONTROL

Regulation 10.1: Subject to confirmation by the Administrator of UNDP that there are no conflicts with applicable UNDP Financial Regulations, to which these Regulations are an annex, the Executive Director may, in consultation with the Management Coordination Committee, establish detailed financial rules for UNOPS to ensure effective financial administration and the exercise of economy, and circulate the financial rules to Members of the Executive Board for information at least 30 days before they become effective. The Executive Director may establish procedures consistent with these Regulations for implementation of such financial rules.

Regulation 10.2: The Executive Director shall:

(a) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payments have not previously been made;

(b) Designate the officers who may receive moneys, incur obligations and make payments on behalf of UNOPS;

(c) Maintain an internal financial control which shall provide for an effective current examination and review of financial, management and operational activities, in order to ensure:

(i) the regularity of the receipt, custody and disposal of UNOPS income, as well as resources entrusted to the charge of UNOPS;

(ii) the conformity of obligations and disbursements with the appropriations, allocations or other financial provisions decided upon by the Executive Board or with agreements with other United Nations organizations and other entities;

(iii) the effective and efficient management of UNOPS and the effective, efficient and economic use of UNOPS income, as well as of the resources entrusted to the charge of UNOPS.

Regulation 10.3: The Executive Director may make such ex gratia payments not exceeding $40,000 as he deems to be necessary in the interest of UNOPS, provided that a statement of such payments shall be submitted to the Executive Board with the accounts.

Regulation 10.4: The Executive Director may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Board of Auditors with the accounts. The Executive Director may establish, from time to time, an amount below which full investigation and formal write-off are not required. Such amounts shall, for administrative efficiency, be charged directly to the relevant allotment/budget line.

Regulation 10.5: In conformity with decisions taken by the General Assembly, in particular in resolution 2688 (XXV), annex, paragraphs 41, 42 and 44, and resolution 3405 (XXX), annex, and guidelines issued by the Executive Board, the Executive Director shall be responsible for the purchasing of equipment and supplies and the contracting of services where budgetary provision has been made in the biennial budget and in the budgets of projects for which UNOPS provides services.

Article XI. THE ACCOUNTS

Regulation 11.1: The Executive Director shall submit accounts biennially in respect of the UNOPS account and in respect of resources entrusted to the charge of UNOPS, in accordance with United Nations system accounting standards. The Executive Director shall also give such other information as may be appropriate to indicate the current financial position and shall maintain such accounts and records as are necessary to report to the Executive Board and the General Assembly on the financial status of UNOPS.

Regulation 11.2: The accounts shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as may be deemed necessary.

Regulation 11.3: The accounts shall be submitted by the Executive Director, not later than 15 April of the year following the end of each biennium, to the United Nations Board of Auditors for examination and opinion.

F. EXTERNAL AUDIT

Article XII. EXTERNAL AUDIT

Regulation 12.1: The External Audit provisions of Article XVII of the Financial Regulations of the United Nations Development Programme shall, mutatis mutandis, apply to UNOPS.